



Highlights of [GAO-04-134](#), a report to the Committee on Banking, Housing and Urban Affairs, United States Senate and the Committee on Financial Services, House of Representatives

Why GAO Did This Study

The LOCAL TV Act required that GAO perform an annual audit of the (1) administration of the provisions of the Act, and (2) financial position of each applicant who receives a loan guarantee under the Act, including the nature, amount, and purpose of investments made by the applicant. In fiscal year 2002, the LOCAL TV Program was funded; however, because it was not fully implemented in that year, there were no loan guarantee applicants for GAO to audit. Therefore, this report primarily addresses whether program administration during fiscal year 2002 satisfied the provisions of the Act.

What GAO Recommends

GAO is making recommendations to the Board that it work with the Administrator to help ensure that (1) program regulations and underwriting criteria are issued expeditiously, and (2) loan application and origination fees are sufficient to cover certain costs of administering the Program and that these costs are accumulated, documented, and reported in accordance with federal accounting standards. In response, the Board stated that every effort is being made to ensure that the program regulations and underwriting criteria are issued expeditiously and that as applications are received, it will account for administrative expenses in accordance with federal accounting standards.

www.gao.gov/cgi-bin/getrpt?GAO-04-134.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or williamsm1@gao.gov.

LOCAL TV ACT

Progress Made, but Timeliness and Cost Accounting Issues Need to be Addressed

What GAO Found

In December 2000, the Congress passed the Launching Our Communities' Access to Local Television Act of 2000 (LOCAL TV Act or Act). The Act created the Local Television Loan Guarantee Program (Program or LOCAL TV Program) and established the Local Television Loan Guarantee Board (Board) to approve guaranteed loans, totaling no more than \$1.25 billion, to finance projects that will provide local television access to households with limited over-the-air television broadcast signals or cable service. The Board is comprised of the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of Agriculture, and the Secretary of Commerce, or their designees. The Department of Agriculture (USDA) Rural Utilities Service serves as Program Administrator (Administrator).

The LOCAL TV Program has not been established in an expeditious fashion as specified by the Act. Given that funds were appropriated in November 2001, thus starting the clock on the 120 days allowed for completing program regulations and underwriting criteria, the Program should have been ready for implementation by March 2002. According to the Board and Administrator, three factors contributed to program delays: (1) initial uncertainties over program funding, (2) inadequate dedicated staff resources for program activities, and (3) the decision to issue a proposed rule. As of the end of August 2003, neither of these key documents, which provide the overall framework for the Program, was ready for implementation, thus delaying lending activities and ultimately, realization of improved television reception in target areas throughout the United States.

Further, the full costs of administering the Program, including those incurred by the respective agencies and departments providing support to the Board, were not accumulated and charged to the program as called for by federal accounting standards. Statement of Federal Financial Accounting Standard No. 4, *Managerial Cost Accounting Standards* requires federal agencies to capture the costs of federal programs to assist the Congress in authorizing, modifying, and discontinuing programs and to provide agencies with reliable cost data for making informed managerial decisions and evaluating performance. Further, the capacity to capture these costs going forward is key to fully recovering certain costs of administering the Program through loan application and loan guarantee origination fees.